

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

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29 JAN 1978

OLC 77-4319/a

Mr. D. L. Scantlebury, Director
Financial and General Management
Studies Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Scantlebury:

This is in response to your letter of 31 October 1977, to the Director of the Central Intelligence Agency, requesting information regarding CIA auditing activities. Enclosed, as requested, is the completed questionnaire.

Two matters in the questionnaire require brief elaboration. Question 15 deals with deficiencies disclosed as a result of audits. While our response shows that a number of different types of deficiencies were discovered by audit in fiscal years 1974, 1975 and 1976, neither the questions nor the response are intended to identify the numbers of deficiencies or the magnitude of individual deficiencies, and no implication of unusual numbers or of large-scale improprieties should be drawn from the response to Question 15.

With regard to Question 17, it should be understood that results of audits, including deficiencies identified, and corrective actions taken, are regularly reported to the Inspector General of CIA by the Chief of the Audit Staff, and to the Deputy Director of Central Intelligence by the Inspector General. Any cases involving operational improprieties are reported to the Intelligence Oversight Board, and any matters involving possible criminal illegalities are reported to the Department of Justice. Furthermore, while no regular reports of audit deficiencies are made to the Congressional committees having jurisdiction over the Agency, investigations by such committees may include access to audit reports if they are critical to the investigations, and sources and methods are protected.

Sincerely,

SIGNED

George L. Cary
Legislative Counsel

Enclosure

STAT

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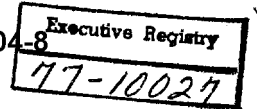
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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548



62677.4819

October 31, 1977

The Honorable Stansfield Turner,
Director
Central Intelligence Agency
Washington DC 20505

Dear Admiral Turner:

At the request of the Subcommittee on Reports, Accounting and Management of the Senate Committee on Governmental Affairs, the General Accounting Office is compiling information regarding periodic financial audits of the organizational units in the Executive Branch of the Federal Government.

Our review seeks to determine who performed the periodic financial audits of these units during fiscal years 1974 through 1976. Where such audits were performed by a private firm, we are requesting certain additional information such as the name of the firm(s), cost of the audits, method of selection of the auditing firm, and extent of other contractual or consulting relationships with the auditors.

We have prepared the enclosed questionnaire for distribution to Federal organizational units. Your assistance in completing the questionnaire will be greatly appreciated.

Please return the questionnaire in the enclosed self-addressed envelope within 10 days of receipt of this letter. If you have any questions, please call Mr. John Adair or Mr. Paul Lynch on 275-5824 (FTS) or (202) 275-5824 (commercial).

Thank you for your cooperation.

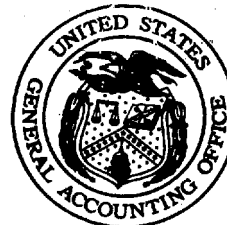
Sincerely yours,

D. L. Scantlebury
Director

Financial and General Management
Studies Division

Enclosures

SURVEY OF EXECUTIVE BRANCH AGENCIES
CONCERNING FINANCIAL AUDITS
OF THEIR OPERATIONS



INTRODUCTION

At the request of the Subcommittee on Reports, Accounting, and Management of the Senate Committee on Governmental Affairs, the U. S. General Accounting Office is compiling certain information regarding financial audits of the organizational units within the executive branch. Your assistance in completing the enclosed questionnaire will be greatly appreciated.

This does not refer to audits which are performed of programs, grants, or contracts. It refers only to audits of your organization's internal accounts and records.

We have enclosed a stamped self-addressed envelope for your use. Please return the enclosed questionnaire within 10 days.

If you have any questions, please call Mr. John Adair or Mr. Paul Lynch; telephone no. (202) 275-5824

NOTE: In filling out this questionnaire, please ignore the numbers in parenthesis to the right of a question/item; they are included to facilitate keypunching.

1. Name of your organizational unit _____

Name of person filling out this questionnaire

Telephone No. _____

PART I: FINANCIAL AUDITS

2. Is there a requirement (formal or informal) for a periodic financial audit of the accounts and records of your organization?

☐ 1. Yes (6)

☐ 2. No (Go to question 4)

☐ 3. Don't know (Go to question 4)

3. If yes, on what is the requirement based? (Check all that apply)

☐ Legislation (7)

☐ OMB directive (8)

☐ Treasury Department directive (9)

☐ Parent organization policy (10)

☐ Organization policy (11)

☐ Informal agreement with OMB or Treasury Department (12)

☐ Other (Please specify) _____ (13)

4. Are your organization's accounts and records subjected to annual or to periodic financial audit? (Check all that apply)

☐ Annual financial audit (14)

☐ Bi-annual financial audit (15)

☐ Periodic financial audit (3 to 5 year intervals) (16)

☐ Other (Please specify) _____

_____ (17)

☐ Financial accounts and records of this organization are not audited. (18)

5. Were your organization's accounts and records subjected to periodic financial audit in 1974, 1975, or 1976?

☐ 1. No (19)

☐ 2. Yes (Go to question 7)

6. If no, please indicate the reason(s) why audits were not performed. (Check all that apply)

☐ No requirement for periodic financial audits (20)

☐ Operational audits are emphasized by our organization (21)

☐ Organization does not have the resources necessary (22)

☐ No direct audit but economy and efficiency reviews include financial aspects (23)

☐ Financial records and accounts are audited on a piecemeal basis during program audits (24)

☐ Other (Please specify) _____ (25)

If no periodic financial audits of your agency's accounts and records are ever performed, please check this box ☐ and skip to question 20 (26)

7. If your organization's accounts and records were subjected to periodic financial audit in 1974, 1975 or 1976, who performed such audits? (Check each of the listed groups who performed at least one of the three possible audits)

☐ Accounts and records were not subject to periodic financial audit in 1974, 1975, or 1976 (27)

☐ Our organization's internal audit, inspection or review group (28)

☐ An audit, review or inspection group from one of our organization's parent organizations (e.g. bureau, agency, department level) (29)

☐ A public accounting firm (30)

☐ U. S. General Accounting Office (31)

☐ Other (Please describe) _____ (32)

If a public accounting firm did not perform any periodic financial audits in either 1974, 1975, 1976, please skip to question 14; otherwise, continue.

8. Indicate the reason(s) for having your unit's periodic financial audit(s) performed by a public accounting firm. (Check all that apply)

☐ We do not have an internal audit staff. (33)

☐ Our internal audit staff does not have the resources (34)

☐ Our parent organization's internal audit staff does not audit our unit (35)

☐ We prefer a completely independent audit (36)

☐ Other (Please specify) _____

_____ (37)

Card No. 1 (80)

9. Which of the following public accounting firms performed financial audits of your organization's accounts and records in either 1974, 1975 or 1976. (Check the appropriate column, if any).

Firms:	Performed audit(s) in:		
	FY 1) <u>1974</u>	FY 2) <u>1975</u>	FY 3) <u>1976</u>
Arthur Andersen & Co.	<input type="checkbox"/> (6)	<input type="checkbox"/> (7)	<input type="checkbox"/> (8)
Arthur Young & Co.	<input type="checkbox"/> (9)	<input type="checkbox"/> (10)	<input type="checkbox"/> (11)
Coopers & Lybrand	<input type="checkbox"/> (12)	<input type="checkbox"/> (13)	<input type="checkbox"/> (14)
Ernst & Ernst	<input type="checkbox"/> (15)	<input type="checkbox"/> (16)	<input type="checkbox"/> (17)
Haskins & Sells	<input type="checkbox"/> (18)	<input type="checkbox"/> (19)	<input type="checkbox"/> (20)
Peat, Marwick, Mitchell & Co.	<input type="checkbox"/> (21)	<input type="checkbox"/> (22)	<input type="checkbox"/> (23)
Price Waterhouse & Co.	<input type="checkbox"/> (24)	<input type="checkbox"/> (25)	<input type="checkbox"/> (26)
Touche Ross & Co.	<input type="checkbox"/> (27)	<input type="checkbox"/> (28)	<input type="checkbox"/> (29)
Alexander Grant & Co.	<input type="checkbox"/> (30)	<input type="checkbox"/> (31)	<input type="checkbox"/> (32)
Hurdman and Cranstoun	<input type="checkbox"/> (33)	<input type="checkbox"/> (34)	<input type="checkbox"/> (35)
J. K. Lasser & Co.	<input type="checkbox"/> (36)	<input type="checkbox"/> (37)	<input type="checkbox"/> (38)
Laventhol & Horwath	<input type="checkbox"/> (39)	<input type="checkbox"/> (40)	<input type="checkbox"/> (41)
S. D. Leidesdorf & Co.	<input type="checkbox"/> (42)	<input type="checkbox"/> (43)	<input type="checkbox"/> (44)
Main Lafrentz & Co.	<input type="checkbox"/> (45)	<input type="checkbox"/> (46)	<input type="checkbox"/> (47)
Seidman & Seidman	<input type="checkbox"/> (48)	<input type="checkbox"/> (49)	<input type="checkbox"/> (50)
Other (Please specify)	<input type="checkbox"/> (51)	<input type="checkbox"/> (52)	<input type="checkbox"/> (53)

10. Please list below the amount paid to the public accounting firm for conducting a periodic financial audit in each of the three fiscal years: 1974, 1975 and 1976.

Amount Paid for Annual
Financial Audit

(in thousands)

During Fiscal Year 1974 \$ _____ (54-57)

During Fiscal Year 1975 \$ _____ (58-61)

During Fiscal Year 1976 \$ _____ (62-65)

11. Which of the following best describes the method by which your organization selected the public accounting firm to perform a periodic financial audit of your organization during fiscal year 1976? (Please check only one)

- ☐ 1. Invitation for bid (Go to question 13) (66)
- ☐ 2. Request for proposal (Go to question 13)
- ☐ 3. Sole source determination
- ☐ 4. Other (Please describe) _____

☐ 5. Not done in 1976

12. If you checked "sole source" or "other" in question 11, please indicate the major reason. (Check only one answer)

- ☐ 1. Expected cost was not considered (67) high enough to merit formal procedures
- ☐ 2. Time constraints were too great to permit invitation for bid or request for proposal procedures
- ☐ 3. Other (please describe) _____

13. Which of the following sets of standards does your agency (or the public accounting firm) follow in carrying out the financial audit? (Check all that apply)

- ☐ Generally accepted auditing standards (68)
- ☐ Auditing standards promulgated by the Comptroller General (69)
- ☐ Other Standards (Please specify) (70)

14. In which of the following ways are the results of the financial audit of your accounts and records reported by the auditing organization? (Please check all that apply)

- ☐ Oral reports only are given on the (71) results of the audit
- ☐ Written reports of the results of (72) the audit are sent to management at this organizational location
- ☐ Written reports of the results of (73) the audit are sent to management at one or more parent organizational levels
- Written reports of the results of (74) the audit are made available to the General Accounting Office
- ☐ 1) routinely
- ☐ 2) only upon request
- ☐ Written reports of the results of (75) the audit are routinely sent to the U. S. Department of the Treasury
- ☐ Written reports of the results (76) of the audit are sent to the Office of Management and Budget
- ☐ 1) routinely
- ☐ 2) only upon request.
- ☐ Written reports of the results (77) of the audit are routinely sent to cognizant Committees of the Congress
- ☐ Written reports of the results (78) of the audit are sent to cognizant Committees of the Congress only upon request.
- ☐ Other (Please describe) _____ (79)

Card No. 2 (80)

15. Which, if any, of the following categories of deficiencies were disclosed during the course of the financial audit of your organization during either fiscal year 1974, fiscal year 1975, or fiscal year 1976? (Please check all that apply)

- ☐ Inadequate internal control (6)
- ☐ Inadequate records and /or (7) reports
- ☐ Inadequate inventory control (8) practices
- ☐ Inadequate compliance with (9) laws and regulations
- ☐ Inadequate accounting pro- (10) cedures
- ☐ Inadequate reconciliation of (11) cash with U. S. Treasury fund balances
- ☐ Inadequate internal audit (12)
- ☐ Excessive funds on hand (13)
- ☐ Fraud, theft or other (14) criminal activity
- ☐ Disbursement irregularities (15)
- ☐ Inadequate handling of im- (16) prest funds
- ☐ Other questionable prac- (17) tices (Please describe)
- _____
- _____
- _____
- ☐ No deficiencies were dis- (18) closed (Go to question 18)

16. Indicate below the follow-up action (s) taken by your organization to correct the deficiencies cited in your response to question 15 (Check all that apply)

- ☐ Deficiencies reported were in- (19)
significant
- ☐ Internal control improved (20)
- ☐ Record system & reporting pro- (21)
cedures changed
- ☐ More stringent inventory controls (22)
- ☐ Accounting procedures modified (23)
- ☐ Internal audit process improved (24)
- ☐ More frequent reconciliation of (25)
cash on hand with U. S. Treasury
fund balances
- ☐ Disbursement procedures under (26)
more control
- ☐ Other (Please describe) (27)

17. To which, if any, of the listed organization's did your organization report the follow-up actions cited in your response to question 16.

- ☐ Management at one or more parent (28)
organizations
- ☐ U. S. General Accounting Office (29)
- ☐ U. S. Department of Treasury (30)
- ☐ Office of Management and Budget (31)
- ☐ Cognizant committees of the Congress (32)
- ☐ Other (Please specify) (33)

- ☐ Did not report follow-up actions (34)

18. Did any of the public accounting firms, that performed a periodic financial audit of the accounts and records of your organization in fiscal years 1974, 1975 and 1976, also provide any other contractual or consulting services during the same three-year period.

- ☐ 1. Yes (35)
- ☐ 2 No (If no, please skip to question 20)

19. Please describe below the nature of the services (other than the periodic financial audit) provided during fiscal years 1974, 1975 and 1976 by the same firm that performed the financial audit during the same year as well as the amount expended for such services.

1. Nature of services (other than the financial audit) provided during fiscal year 1974 by the firm that performed the financial audit in fiscal year 1974

2. Total amount paid to that firm during fiscal year 1974 for services other than the financial audit \$ (in thousands) (36-39)

3. Nature of services (other than the financial audit) provided during fiscal year 1975 by the firms that performed the financial audit in fiscal year 1975

4. Total amount paid to that firm during fiscal year 1975 for services other than the financial audit \$ (in thousands) (40-43)

5. Nature of services (other than the financial audit) provided during fiscal year 1976 by the firms that performed the financial audit in fiscal year 1976

6. Total amount paid to that firm during fiscal year 1976 for services other than the financial audit \$ (in thousands) (44-47)

20. Apart from the periodic financial audits referred to in the previous questions, were any other audits, surveys, reviews or investigations conducted at your organization's location during fiscal years 1974, 1975 and 1976?

- ☐ 1. Yes
- ☐ 2. No (If no, please go to part II) (48)

21. Which of the following groups conducted at least one audit, survey, review or investigation at your organization's location during fiscal years 1974, 1975 or 1976? (Please check all that apply.)

- ☐ 1. This organization's internal audit, inspection or review group (49)
- ☐ 2. An audit, inspection or review group from a parent organization (50)
- ☐ 3. An audit, inspection, or review group from an organization within the Executive Branch of Government that is not a parent organization to this organization (51)
- ☐ 4. The U. S. General Accounting Office (52)
- ☐ 5. An investigative staff of a committee of the Congress (53)
- ☐ 6. A public accounting firm (54)
- ☐ 7. Other (Please specify) _____ (55)

PART II: ADVISORY AND INTERAGENCY COMMITTEE
FINANCIAL AUDITS

If your organization is either an advisory or interagency committee, please go to question 28 page 7

22. Does your organization have advisory committees of any kind?

- ☐ 1. Yes (56)
- ☐ 2. No (Go to question 25)

23. If yes, are the advisory committee accounts and records subject to periodic financial audit as part of general organization expenditures, or are they subject to a separate audit? (Check one)

- ☐ 1. Not subject to audit (Go to question 25) (57)
- ☐ 2. Audited as part of general funds
- ☐ 3. Accounts and records of all advisory committees are combined and under go joint audit
- ☐ 4. Each advisory committee is audited separately.
- ☐ 5. Don't know (Go to question 25)

24. If periodic financial audits are performed of the accounts and records of your agency's advisory committees, who performs these audits? (Check all that apply)

- ☐ 1. This organization's internal audit, inspection or review group (58)
- ☐ 2. An audit, inspection or review group from a parent organization (59)
- ☐ 3. An audit, inspection, or review group from an organization within the Executive Branch of Government that is not a parent organization to this organization (60)
- ☐ 4. The U. S. General Accounting Office (61)
- ☐ 5. An investigative staff of a committee of the Congress (62)
- ☐ 6. A public accounting firm (63)
- ☐ 7. Other (Please specify) _____ (64)

25. Do members of your organization serve on any interagency committees?

- ☐ 1. Yes
☐ 2. No (Go to question 28)

26. If yes, are the accounts and records of these interagency committees subject to periodic financial audit? (Check one)

- ☐ 1. Yes, as part of a periodic financial audit of general organization funds (Go to question 28)
☐ 2. Yes, to a separate periodic financial audit
☐ 3. No (Go to question 28)
☐ 4. Don't know (Go to question 28)

(65) 27. If financial audits of the accounts and records of interagency committees are performed, who performs the financial audits?

- ☐ 1. This organization's internal audit, inspection or review group (67)
☐ 2. Another agency's internal audit, inspection or review group (68)
☐ 3. An audit, inspection or review group from a parent organization to this organization (69)
☐ 4. An audit, inspection, or review group from an organization within the Executive Branch of Government that is not a parent organization to this organization (70)
☐ 5. The U. S. General Accounting Office (71)
☐ 6. An investigative staff of a committee of the Congress. (72)
☐ 7. A public accounting firm (73)
☐ 8. Other (Please specify) _____ (74)

☐ 9. Don't know (75)

28. Please provide below any additional comments that you would like to make concerning the nature and extent of audits or reviews that have been made of your organization's operations. Thank you for your cooperation.

Card 3 (80)

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<input type="checkbox"/>	COMMENT	<input type="checkbox"/>	FILE	<input type="checkbox"/>	RETURN
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				<i>7/26/67</i>	
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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

D. L. Scantlebury
Director
Financial and General Management
Studies Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Scantlebury:

The response to the questionnaire forwarded with your letter of 31 October 1977 is enclosed. Please advise if we may be of further assistance.

Stansfield Turner,
Director

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THE DIRECTOR OF CENTRAL INTELLIGENCE

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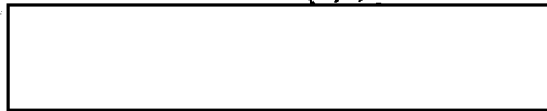
Mr. D. L. Scantlebury, Director
Financial and General Management
Studies Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Scantlebury:

This is in response to your letter of 31 October to the Director of the Central Intelligence Agency requesting information regarding CIA auditing activities.

I note that your request is part of a Government-wide review being done at the request of the Subcommittee on Reports, Accounting and Management of the Senate Committee on Governmental Affairs. As such the study has no special significance with respect to the audit activities of the Central Intelligence Agency. Since CIA is not audited by GAO and the details of our audits and our financial procedures are classified matters, CIA participation in any overt study would necessarily be limited. It is, therefore, appropriate for CIA to respectfully decline to respond to your present inquiry.

Sincerely,



George L. Cary
Legislative Counsel

STAT

TO : McXOdy THW/LLM		DATE OF REQUEST
FROM : ELS	16 Jan 78	SUSPENSE DATE
SUBJECT:		
GAO Questionnaire regarding CIA Auditing Activities		
NOTES		
<p>DFM reports that he cannot find anyone on the Governmental Affairs Committee who knows anything about this. He has been working through a staffer on the SSCI. Bill Miller says if we have security problems, we can file our report with the SSCI. If we have other than security problems, we should talk to the staff director on the Governmental Affairs Committee.</p>		
COORDINATED WITH (list names as well as offices)		
NAME	OFFICE	DATE
NAME	OFFICE	DATE
NAME	OFFICE	DATE
NAME	OFFICE	DATE
ACTION REQUIRED BY GLC		
<p>Approved For Release 2004/03/26 : CIA-RDP81M00980R001600030004-8</p>		

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